EAST INDIA (CONSTITUTIONAL REFORMS)

Arrangements with respect to the Relations between the Monetary Systems of India and Burma in the event of the Separation of Burma from India

ROYAL ASIATIC SOCIETY
LIBRARY
OF THE
BOMBAY
BRANCH
OF THE

Presented by the Secretary of State for India to Parliament
by Command of His Majesty
May 1935

Bxe 153

LONDON
PRINTED AND PUBLISHED BY HIS MAJESTY'S STATIONERY OFFICE
To be purchased directly from H.M. STATIONERY OFFICE at the following addresses:
Adastral House, Kingsway, London, W.C.2; 120 George Street, Edinburgh 2;
York Street, Manchester 1; 1 St. Andrew's Crescent, Cardiff;
80 Chichester Street, Belfast;
or through any Bookseller

1935
Price 2d. Net

Cmd. 4901

Introductory Note by the Secretary of State for India.

The Government of India Bill contemplates that special steps will be taken, in the event of the separation of Burma from India, to regulate the relations between the monetary systems of the two countries, and in particular to give effect to certain arrangements for that purpose to be made between the two Governments concerned.

The main features of these arrangements, which are of course contingent on the separation of Burma, have now been agreed and are embodied in the appended provisions. The intention is to secure that, for a period of at least three years after the separation of Burma, the currency and exchange of both countries shall continue to be managed by the Reserve Bank of India, and that the least possible disturbance of the existing position shall occur. Under the arrangements, the currency systems of the two countries will, in effect, remain unified.

Subject to this fundamental principle, however, provision is made for the issue of distinctive bank notes for Burma immediately on political separation, in order to facilitate certain financial adjustments consequent on the joint use of the Reserve Bank. It is also provided that a local coinage, of different design from that in India, may, if desired, be introduced in Burma.

The arrangements further provide for the performance in Burma by the Reserve Bank of India of the normal functions of a central bank in relation to government business.

Finally, provision is made for the transactions which will have to take place if and when a complete separation of the two currency systems is desired.

Effect will be given in Burma to these arrangements by Order in Council. It will also be necessary to amend the Reserve Bank of India Act, 1934, in certain respects and a Bill for this purpose will be introduced in the Indian Legislature in due course.

Digitized with financial assistance from

H T Parekh FOUNDATION

An Initiative by HDFC WITH YOU, RIGHT THROUGH

on 10 January, 2019

ARRANGEMENTS WITH RESPECT TO THE RELATIONS BETWEEN THE MONETARY SYSTEMS OF INDIA AND BURMA IN THE EVENT OF THE SEPARATION OF BURMA FROM INDIA, AS AGREED BETWEEN THE GOVERNOR-GENERAL OF INDIA IN COUNCIL AND THE GOVERNOR OF BURMA IN COUNCIL, AND APPROVED BY THE SECRETARY OF STATE.

1. Notwithstanding the separation of Burma from India, the Reserve Bank of India (hereinafter referred to as "the Reserve Bank") shall, subject to the provisions of this Agreement, manage the currency and carry on the business of banking in Burma in accordance with the Reserve Bank of India Act, 1934, as amended for that purpose.

2. The Reserve Bank shall have the sole right to issue currency notes and bank notes in British Burma, and the Governor of Burma shall not issue any currency notes, nor shall he put into circulation any coins except through the Bank and as provided by this Agreement.

3.—(1) The Reserve Bank shall, as soon as may be after the commencement of this Agreement, issue bank notes of distinctive design in Burma, which shall be legal tender in Burma but not in India, and in exchange for which the Bank shall have no obligation to supply other notes or coins at any place in India.

(2) Such bank notes shall be of such denominational values and expressed in terms of such standard monetary unit as the Governor of Burma, after consultation with the Central Board of the Bank, may determine:

Provided that, until the Governor of Burma otherwise determines, the standard monetary unit of Burma shall be the Indian rupee.

(3) Until the Governor of Burma otherwise determines, the Bank shall be obliged to issue Indian rupee coin on demand in Burma in exchange for such bank notes, and Indian rupee coin shall not cease to be legal tender in Burma while it continues so to be issuable.

(4) The design, form and material of such bank notes shall be such as may be approved by the Governor of Burma after consideration of any recommendations made by the Central Board of the Bank.

(5) Such bank notes shall be subject to the same provisions in respect of cessation to be legal tender, conditions of re-issue, procedure in the case of notes lost, stolen, mutilated or imperfect, and exemption from stamp duty, as bank notes issued by the Bank in India, with the substitution therein of references to the Governor of Burma and the Gazette of Burma for references to the Governor-General in Council and the Gazette of India respectively.

(6) Notwithstanding the issue of such bank notes in Burma, any other bank notes issued by the Bank, whether in Burma or in India, and currency notes of the Government of India, shall continue to be legal tender in Burma for such period or periods, not being less than two years from the commencement of this Agreement, as the Governor of Burma may determine, or for such shorter period or periods as may be agreed between the Governor of Burma and the Bank; and thereafter such currency and bank notes shall continue to be accepted at par at such places and for such further period or periods as may be specified by the Governor of Burma on the recommendation of the Bank.

(7) Bank notes issued in Burma by virtue of sub-clause (1) of this clause shall form part of the liabilities of the Issue Department of the Bank in like manner, and subject to the same conditions, as bank notes issued by the Bank in India.

4.—(1) If so authorised by any Burman law, the Governor of Burma may at any time, after giving due notice to the Governor-General of India, cause to be issued distinctive Burman coins:

Provided that he shall not cause to be issued any coin of the same value as, or greater value than, the Indian rupee, so long as Indian rupee coin is issuable on demand in Burma in exchange for bank notes under the provisions of sub-clause (3) of clause 3 of this Agreement.

(2) Coins issued by virtue of the preceding sub-clause shall be supplied by the Governor of Burma to the Reserve Bank on demand in such quantities as may in the opinion of the Bank be required for circulation in Burma, against payment of their nominal value; and the Bank may deliver to the Governor of Burma any such coins as may not, in its opinion, be required for such circulation, against payment of their nominal value, and no Burman coin shall be disposed of by the Bank otherwise than for the purposes of circulation or by delivery to the Governor of Burma under this sub-clause.

(3) Notwithstanding the introduction of any such Burman coin, Indian rupee coin and subsidiary coin of the Government of India shall continue to be legal tender in Burma, on like conditions as theretofore, for such period or periods, not being less than two years from the date of introduction of the corresponding Burman coin, as the Governor of Burma may determine, or for such shorter period or periods as may be agreed between the Governor of Burma and the Bank; and thereafter such coin shall continue to be accepted at par at such places and for such further period or periods as may be specified by the Governor of Burma on the recommendation of the Bank.

(4) Any Indian coins retired from Burma (whether from circulation, from the Reserve Bank's balances, from treasury balances or from small coin depôts) by reason of the introduction

of corresponding Burman coins, shall be disposed of as follows, namely :—

(*a*) If, and in so far as, the Governor of Burma so desires, and if the Mints in India are able to undertake the work, they shall be re-coined with Burman designs at the Mints in India free of charge ;

Provided that any additional expense arising from a material alteration in the number or composition of the coins so re-coined shall be payable by the Governor of Burma.

(*b*) Any subsidiary coin of the Government of India which is not re-coined under the provisions of the last preceding paragraph shall be delivered to the Governor-General of India against payment to the Governor of Burma of its bullion value, increased by an amount representing the cost to India of coining the same amount of coin in the same form.

(*c*) Any Indian rupee coin which is not re-coined under the provisions of the last but one preceding paragraph shall not be disposed of as coin, but the silver content thereof shall be disposed of in such manner as the Governor of Burma may think fit :

Provided that he shall not dispose by sale of any such silver before the 1st January 1938, except in accordance with an agreement, to be concluded with the Governor-General of India, which shall determine, *inter alia*, the quotas to be sold in any year by each of the parties on the basis of their respective stocks, and which may, in the case of any silver sold in India by the Governor-General on behalf of the Governor of Burma, provide that, subject to the deduction of brokerage and any other charges or rebates actually incurred by the Governor-General in effecting such sale, the Governor of Burma shall be paid either the rupee proceeds thereof, in which case he shall pay to the Governor-General, whether by collection at the frontier or by deduction from the proceeds of sale, the equivalent of any silver import duty for the time being in force in India, or, at the option of the Governor of Burma, the rupee equivalent, at the rate of exchange of the day, of the sterling price of silver on the date of the corresponding sale contract.

(5) In this clause "subsidiary coin of the Government of India" means any coin, other than Indian rupee coin, which is legal tender in British India ; and "Indian rupee coin" means silver rupees which are legal tender in British India.

5.—(1) The obligation of the Bank to buy and sell sterling at its Rangoon office in accordance with the provisions of the Reserve Bank Act, 1934, shall continue, subject only to such

modifications as may be necessary in case the standard monetary unit of Burma ceases to be the Indian rupee.

(2) The Bank shall provide any person who makes a demand in that behalf with remittance between its office in Rangoon and such office or offices in India as may be prescribed by the Central Board of the Bank, in such amounts, at such fixed rate of exchange, and subject only to such rate or rates of commission, as may be approved by the Governor-General of India and the Governor of Burma.

6.—(1) The Bank shall undertake to accept moneys for account of the Governor of Burma, to make payments up to the amount standing to the credit of his account, to carry out his exchange, remittance and other banking operations, including the management of the public debt, and, generally, to afford similar facilities to the Governor of Burma in Burma as to the Governor-General of India in India:

Provided that nothing in this clause shall be construed as authorising the Bank to include in the assets of its Issue Department any securities or coin issued by the Governor of Burma.

(2) The Governor of Burma shall entrust the Bank, on such conditions as may be agreed upon, with all his money, remittance, exchange and banking transactions in Burma, and, in particular, shall deposit free of interest all his cash balances with the Bank:

Provided that nothing in this sub-clause shall prevent the Governor of Burma from carrying on money transactions at places where the Bank has no branches or agencies, and he may hold at such places such balances as he may require.

(3) The Governor of Burma shall entrust the Bank, on such conditions as may be agreed upon, with the management of the public debt and with the issue of any new loans.

(4) The Bank shall undertake the custody of such moneys and the performance of such functions as, by any Act of Parliament, the Burma Railway Board is obliged to entrust to it, on the same terms and conditions as those upon which it undertakes similar business for the Governor of Burma.

(5) The conditions referred to in this clause shall be the same as those contained in any agreement between the Governor-General of India in Council and the Reserve Bank relating to similar matters, with such modifications and such adaptations as may be agreed between the Governor of Burma and the Reserve Bank, or, in default of such agreement, may be prescribed by the Governor of Burma.

7. The Bank shall not be liable to pay Burman income-tax or super-tax on any of its income, profits or gains:

Provided that nothing in this clause shall affect the liability of any shareholder in respect of income-tax or super-tax.

8.—(1) Save as may be otherwise provided in any agreement hereafter concluded between the Governor of Burma and the

Governor-General of India or the Reserve Bank of India, the provisions of this clause shall take effect on the date of the termination of this Agreement.

(2) There shall be transferred from the Reserve Bank to the Governor of Burma all liability for bank notes issued in Burma by virtue of sub-clause (1) of clause 3 of this Agreement and for any other bank notes of the Reserve Bank and currency notes of the Government of India which on the said date are in Burma, being notes which are legal tender in Burma or in respect of which legal rights of encashment in Burma exist; and such other bank notes and currency notes shall be accepted by the Governor of Burma at par at such places and for such period or periods as may be specified by him after consultation with the Bank.

(3) There shall forthwith be transferred from the Issue Department of the Bank to the Governor of Burma assets which, at their statutory valuation, are of such aggregate amount as is equal to the total liability for bank and currency notes mentioned in the last preceding sub-clause, and which include gold coin and bullion, sterling securities, rupee coin and rupee securities (including securities, if any, expressed in the standard monetary unit of Burma) in the same proportions as such assets respectively bear to the total assets of the Issue Department on the said date:

Provided that, unless the Governor of Burma shall otherwise agree, the securities so transferred shall not include either—

(*a*) any trade bills originating in India, whether expressed in sterling or rupees; or

(*b*) such amount of trade bills originating in Burma, expressed in either sterling or local currency, as bears a greater proportion to the total amount of securities so transferred than is borne by the total amount of trade bills expressed respectively in sterling or in rupees (including trade bills, if any, expressed in the standard monetary unit of Burma), and held in the Issue Department of the Bank on the said date, to the total amount of securities held therein.

(4) Any rupee coin transferred to the Governor of Burma under the last preceding sub-clause shall be disposed of in like manner as retired rupee coin under the provisions of sub-clause (4) of clause 4 of this Agreement.

(5) If, and in so far as distinctive Burman coins have not been previously introduced, they shall forthwith be introduced and, subject always to the provisions of sub-clause (3) of clause 4 of this Agreement, all Indian coins shall be retired from Burma and disposed of in accordance with the provisions of sub-clause (4) of that clause.

(6) The Governor of Burma shall, if the Reserve Bank so desires, take over from the Bank all or any property held by the Bank in Burma for the purpose of carrying on its business, against payment of the value of such property as shown in the

Digitized with financial assistance from
on 10 January, 2019

books of the Bank if this Agreement is terminated in three years or less from the date of its commencement, or on such terms as may be agreed with the Bank if the Agreement is terminated at a later date.

(7) The Governor of Burma, the Reserve Bank and the Imperial Bank of India shall enter into an agreement under which the Governor of Burma shall take over, on such terms as may be specified therein, the rights and liabilities of the Reserve Bank under any agreement made between it and the Imperial Bank in pursuance of section 45 of the Reserve Bank Act, so far as these relate to the conduct of Government business and currency operations in Burma:

Provided that the Governor of Burma shall have a like power to issue instructions to the Imperial Bank and to terminate in certain circumstances an agreement made by virtue of this sub-clause, as is vested by section 45 of the Reserve Bank Act in the Governor-General in Council.

9. In the case of any dispute arising under or out of this Agreement, or as to the interpretation or application thereof, or if, in the opinion of the Governor-General of India or of the Governor of Burma, it is expedient that this Agreement be amended or varied, on the ground that any of the more important assumptions underlying it is not being realised or that some unforeseen development likely to affect materially the arrangements set out therein has occurred, the matter may, in the absence of agreement, be referred, at the instance of either the Governor-General of India or the Governor of Burma, for arbitration by such person or persons as may be agreed between them, or in default of agreement may be appointed by the Secretary of State, and this Agreement shall thereafter have effect in accordance with and as varied by any decision of such person or persons.

10. This Agreement shall come into force on the date of the separation of Burma from India and shall remain in force for three years, or until the expiration of two years from the date on which a notice to terminate the Agreement is given to the Governor-General of India by the Governor of Burma or to the Governor of Burma by the Governor-General of India, whichever is the later:

Provided that if, in the opinion of the Governor of Burma, the Reserve Bank fails to fulfil any of the obligations imposed upon it by or under this Agreement, or if the Reserve Bank of India Act, 1934, is amended in any respect which, in the opinion of the Governor of Burma, is seriously prejudicial to the interests of Burma, notice to terminate the Agreement may at any time be given to the Governor-General of India by the Governor of Burma, and such notice shall take effect on any date which may be specified therein.

(3687) Ps. 1488 Wt. 1189—1189 2000 5/35 I.O.P.